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REVIEW OF INTERNATIONAL SUPPORT TO ECDC: EXPERIENCES OF DEVELOPED AND DEVELOPING COUNTRIES, THEIR PROBLEMS AND PROSPECTS

Scope and features of the subregional, regional and interregional components of development assistance programmes of the donor community

Report by the UNCTAD secretariat

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INTRODUCTION AND SUMMARY

1. The agreement by the Standing Committee on Economic Cooperation among Developing Countries (ECDC) at its first session, held from 11 to 15 January 1993, to "make the necessary arrangements for a pragmatic policy dialogue among the donor community, subregional, regional and interregional groupings, as well as participants in ECDC programmes and projects ...", 1/ appears to be the indication of the desire and willingness, on the part both of the donors and recipients, to examine the possibility of incorporating a regional dimension and perspectives into future development strategies, by reviewing, inter alia, development assistance programmes through a "regional lens".

2. At a policy-level meeting organized earlier within the OECD/DAC framework in Paris in September 1992, the donor community, among other activities, reviewed its development assistance policy with a view to examining the manner in which they can support the current process of revitalization of regional economic cooperation and integration in the developing world. This initiative by the donor community facilitated the discussion by the Standing Committee, thus leading to the agreement by the Committee referred to above. The former indifference on the part of many donors as regards assisting the process of regional economic cooperation and integration among developing countries has undergone a marked change, largely as a result of their positive experience with a number of ECDC actors and participants.

3. In order to initiate the necessary preparatory arrangements for a pragmatic policy dialogue, the Standing Committee decided to organize a meeting of an intergovernmental group of experts "to hold consultations with interregional, regional and subregional groupings ... with a view", inter alia, "to collecting relevant information from the donor community ...". 2/ Consequently, an attempt is made in this report to provide the Intergovernmental Group of Experts with the information collected by the secretariat so far with a view to facilitating their discussion of the matters referred to them. In preparing this report, the secretariat benefited from the documentation circulated during the first session of the Standing Committee (UNCTAD/ECDC/232), 3/ as well as from information supplied at the request of the secretariat by the Governments of Austria, Canada, Finland, Germany, Japan, Norway, Switzerland and the United Kingdom, the OECD secretariat and the Commission of the European Community. Reference has also been made to the 1992 Report by the Chairman of the Development Assistance Committee (DAC) entitled Development Co-operation, 4/ since, at the time of drafting the present report, the 1993 Report was not available. In addition, several Memoranda by DAC members, their development assistance budgets and related publications were drawn upon.

4. Given the diversity of the issues involved, however, and the lack of an appropriate reporting system both within the OECD/DAC framework and among the recipient ECDC actors and participants for recording all relevant financial and other flows, a preliminary attempt has been made in this report, to compile information primarily on the financial flows of a concessional nature, namely Official Development Assistance (ODA), and other related development

assistance from the donor community, disbursed and/or provided directly, or indirectly through multilateral agencies, to the regional economic cooperation and integration groupings. In certain cases, however, flows to ECDC actors and participants other than groupings have been included in order to indicate the other types of recipient that have received development assistance with the scope and features covered in this report. In some other cases flows of Official Development Finance (ODF) other than ODA have been discussed, mainly with a view to indicating the scope and features of financial resources of lower concessionality. The regional programmes and projects discussed here may also include those dealing with issues of a transboundary nature (for instance, disease and pest control), in support of regional research activities, and those implemented regionally rather than on a "country" basis for administrative convenience. In any event, the report does not purport to present an exhaustive picture of all relevant policy measures and frameworks available in the donor community. Nor does it claim to have succeeded in grouping or categorizing such measures and frameworks in a consistent and systematic manner.

5. Chapter I reviews the donor community's current development assistance programmes with a regional orientation and perspectives. Financial flows of a concessional nature, namely ODA, to the "regional" 5/ groupings represent only an insignificant share of the total ODA flows to developing countries. In 1991, the share of ODA to regional groupings is estimated to have been less than one per cent of the total bilateral and multilateral ODA flows of US$ 55.8 billion. This may have been due, inter alia, to the difficulties of providing direct development assistance to a group of recipients in the dominantly country-oriented framework of ODA, and the greater complexity of operating regional development assistance programmes compared to country programmes. Technical and other assistance given by the United Nations systems is being funded multilaterally through the United Nations Development Programme (UNDP) and other funding agencies. The World Bank Group provides financial and technical assistance to regional projects in developing countries, such as its recent involvement with subregional groupings in Africa, alongside their own initiatives, as, for instance, the Global Coalition for Africa. The European Community extends its development assistance programmes to various regional groupings on the basis of the European Development Fund and of its Budget.

6. In Chapter II, an attempt has been made to describe the conventional perception of regional initiatives and the newly emerging policy framework for regional initiatives, and to indicate possible clusters of issues for initiating the reorientation of development assistance policy and strategy. A few donors underline the need for donors' involvement with regional groupings. Some donors encourage active donor participation in support of regional economic cooperation among developing countries. Other donors agree with the potential effectiveness of regional cooperation, but consider that their share of the "duty" to assist such regional activities is discharged in full by their financial and other contributions to multilateral institutions. Many bilateral donors, however, remain sceptical about the idea of providing development assistance directly to regional groupings, owing to the perceived poor performance of regional groupings in achieving their operational targets

in the past, and the observed lack of commitment by the member governments to their regional entities. Nevertheless, a new set of political and economic environment in the 1990s has drawn the donors' attention to the need for a new policy framework of development assistance. Inspired by the resurgence of interest, some donors have already started to incorporate a regional dimension and perspectives into their development assistance policy. On the multilateral agencies' side, the Commission of the European Community and the World Bank have made increasing efforts to support regional cooperation, in addition to UNDP, which has provided permanent support to regional economic cooperation activities since its inception.

Chapter I

REVIEW OF CURRENT DEVELOPMENT ASSISTANCE PROGRAMMES WITH A REGIONAL ORIENTATION AND PERSPECTIVES

7. The members of the Development Assistance Committee, according to the 1992 Report of its Chairman, provided "US$ 57 billion in ODA in 1991 - an increase from US$ 53 billion in 1990. When adjusted for prices and exchange rates, this results in a 3.3 per cent growth in real terms". 6/ The report further stated that "the growth in DAC ODA totals is especially critical given the progressive drop in ODA from non-DAC sources. Flows from Eastern Europe and the former Soviet Union have continued to drop from US$ 4 billion in 1988 to an estimated total of about US$ 1 billion in 1991. Arab donor ODA flows dropped markedly during the 1980s, showed a brief recovery in 1990 by rising to US$ 5.9 billion, but again dropped to US$ 2.7 billion in 1991. Including ODA from other ... donors at US$ 400 million, non-DAC ODA is now estimated to total US$ 4.2 billion - less than the US$ 5 billion contributed by NGOs in 1991". 7/ The share of DAC ODA in the total ODA flows had steadily increased from just over 60 per cent in the 1970s to over 80 per cent in the late 1980s.

8. DAC ODA (except ODA from the European Community) to regional groupings has not been significant in terms of its volume: the annual average of total DAC assistance to regional groupings during the period between 1985 to 1990 has been estimated at not more than US$ 800 million, and less than one per cent of an average annual DAC ODA during that period. 8/ Though insignificant as a portion of a donor's total ODA, the financial and technical assistance from the DAC countries, together with that of the multilateral agencies, make up a significant proportion of the resources made available to many recipient groupings for feasibility studies, project implementation, and planning for future operations. DAC ODA to regional groupings is often not assigned an independent category of its own in the statistical information on ODA flows, being commonly considered as supplementary to donors' existing bilateral ODA to a developing country (or countries) that is a member of the grouping.

A. Records of bilateral assistance

1. Australia

9. Australia maintains a very close link with ASEAN, as evidenced by the signing in 1988 of the five-year ASEAN-Australian Economic Cooperation Phase II, which places particular emphasis on:

- intra-ASEAN regional cooperation;
- ASEAN-Australian economic, scientific and technical cooperation and human resources development;
- promotion of mutual understanding, mutual benefit and good relations between ASEAN-Australia; and,